

Message Text

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ACTION EB-11

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SUBJ: SUGAR QUOTA IN U.S. MARKET FOR HAITI

REFS: PAUP 521 AND 467

SUMMARY: GOH IS ASKING U.S. TO ESTABLISH A QUOTA FOR HAITI IN NEW SUGAR ACT, SUPPORTING THE REQUEST WITH ESTIMATES THAT HAITI WILL EXPORT SOME SUGAR IN 1974 AND 1975 AND WILL BE ABLE FILL QUOTA IN 1976. EMBASSY CONSIDERS THAT, ALTHOUGH HAITIAN 1974 AND 75 ESTIMATES OF EXPORTS ARE OPTIMISTIC, THERE IS A GOOD CHANCE THAT HAITI WILL HAVE SUGAR TO EXPORT IN 1976. ACCORDINGLY EMBASSY RECOMMENDS THAT DEPTS OF STATE AND AGRICULTURE SUPPORT HAITIAN REQUEST FOR QUOTA. END SUMMARY.

1. GOH DEPT OF COMMERCE AND INDUSTRY ESTIMATES OFFICIALLY THAT HAITI WILL HAVE 11,000 SHORT TONS OF SUGAR AVAILABLE FOR EXPORT IN 1974, 22,000 METRIC TONS FOR EXPORT IN 1975, AND 35,000 METRIC TONS FOR EXPORT IN 1976. ESTIMATE IS CONTAINED IN LETTER SENT BY SECRETARY OF COMMERCE AND INDUSTRY TO SECRETARY OF FROEIGN AFFAIRS ON MARCH 29 WITH REQUEST THAT INFORMATION BE TRANSMITTED TO U.S. GOVERNMENT. LETTER EXPLAINS DECREASED EXPORTS BY UNFAVORABLE CLIMATIC CONDITIONS AND POOR CULTIVATION METHODS WHICH RESULTED IN LOW YIELDS. DIFFICULTIES WERE COMPOUNDED BY A SHIFT IN PRODUCTION FROM CANE TO MORE PROFITABLE CROPS PLUS AN INCREASE IN LOCAL
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CONSUMPTION. GOVERNMENT IS COUNTING ON INCREASED PRICE TO GROWERS

AND THE EXPECTED OPENING OF A NEW MILL IN LEOGANE IN JANUARY 1975 TO RESULT IN INCREASED PRODUCTION IN THAT YEAR. GOH EXPECTS PRODUCTION FROM THE PROPOSED NEW MILL IN TORBECK TO ALLOW HAITI TO MEET ALL ITS INTERNATIONAL OBLIGATIONS IN 1976 AND FOLLOWING YEARS. LETTER ASKS USG, IN VIEW OF THESE CONSIDERATIONS, TO GIVE HAITIAN SUGAR FAVORABLE TREATMENT ON U.S. MARKET, PROMISING IN RETURN ASSURED SUPPLY OF SUGAR WITHIN THE POSSIBILITIES OF HAITIAN PRODUCTION. WHEN OFFICIAL NOTE IS RECEIVED, EMB WILL TRANSMIT TO DEPARTMENT.

2. IN ADDITION TO DISCUSSIONS WITH MINISTER OF COMMERCE AND INDUSTRY EMBASSY HAS ALSO REVIEW PROSPECTIVE SUGAR PRODUCTION AND CONSUMPTION WITH LOCAL PRODUCERS AND WITH NATIONAL BANK OFFICIALS. IN EMBASSY VIEW, OFFICIAL ESTIMATES OF EXPORTABLE SURPLUS ARE OVERLY OPTIMISTIC. HAITI WILL BE LUCKY TO HAVE A SURPLUS OF 5,000 TONS FOR EXPORT IN 1974. WITH RESPECT TO THE 1975 FORECAST, THE LEOGANE MILL WILL HAVE TO COMPETE WITH ANOTHER MILL, HASCO, FOR CANE IN AN AREA WHERE FARMERS HAVE BEEN DIVERTING LAND FROM CANE TO VEGETABLES. THUS ANY INCREASE IN PRODUCTION AND EXPORTABLE SURPLUS IN 1975 WILL DEPEND ON WEATHER CONDITIONS AND ON FARMER RESPONSE TO THE INCREASED CANE PRICES DECREED RECENTLY.

3. HAITIAN ABILITY TO SUPPLY SUGAR TO THE U.S. MARKET IN 1976 DEPENDS UPON THE REALIZATION OF PROPOSED NEW INVESTMENT PROJECTS WHICH WILL PROVIDE NOT ONLY NEW MILLS, BUT WILL ALSO ENCOURAGE AND FINANCE IMPROVED CULTIVATION TECHNIQUES, USE OF BETTER VARIETIES OF CANE, AND THE USE OF INCREASED INPUTS OF FERTILIZER. SEVERAL PROJECTS ARE BEING TALKED ABOUT, AND THE GOH HAS SUGGESTED PROPOSALS TO VARIOUS INVESTORS, INCLUDING THE JAPANESE. HOWEVER, AT THE MOMENT THE ONLY PROJECT WHICH APPEARS LIKELY TO MATERIALIZE IN THE NEAR FUTURE IS THE PLANNED NEW MILL AT TORBECK. THE EMBASSY UNDERSTANDS THAT CHASE MANHATTAN BANK IS TO MAKE A DECISION SOON ON FINANCING THIS PROJECT. IF THE DECISION IS FAVORABLE, THE TORBECK MILL MAY BE IN OPERATION IN 18-24 MONTHS, AND HAITI WILL BE ABLE TO PROVIDE SUBSTANTIAL QUANTITIES OF SUGAR TO THE U.S. MARKET IN 1976 AND THEREAFTER.

4. RECOMMENDATION: EVEN THOUGH HAITI WILL BE UNABLE TO UTILIZE A QUOTA COMPARABLE TO THE ONE PRESENTLY ALLOTTED IT UNTIL 1976, THE EMBASSY IS CONCERNED AT THE POSSIBILITY THAT HAITI MIGHT LIMITED OFFICIAL USE

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RECEIVE NO QUOTA AT ALL IN THE NEW SUGAR LEGISLATION. WE URGE THAT DEPTS OF STATE AND AGRICULTURE RECOMMEND THAT HAITI BE GIVEN AT LEAST A TOKEN QUOTA OF 10,000 TONS FOR 1975 AND 1976, WITH THE POSSIBILITY THAT THIS QUOTA BE INCREASED IN LATER YEARS IF EXPECTED INVESTMENTS MATERIALIZE. IN EMBASSY VIEW, FOLLOWING SPECIAL FACTORS SUPPORT THIS RECOMMENDATION:

(A) IN HAITI, UNLIKE MANY OTHER COUNTRIES, MUCH OF THE

SUGAR IS PRODUCED BY SMALL PEASANT FARMERS RATHER THAN BY LARGE LANDOWNERS. THE HAITIAN GOVERNMENT IN FEBRUARY TOOK STEPS TO INCREASE RETURNS TO THIS SECTOR, CUTTING TAXES TO ACHIEVE THIS GOAL. THUS BENEFITS FROM ACCESS TO U.S. MARKET ARE NOT LIMITED TO AN OLIGARCHY BUT INSTEAD ARE SHARED BY THE POOREST SECTOR OF THE ECONOMY--ONE WHICH THE USG HAS SELECTED AS A PRIORITY AID TARGET.

(B) INSOFAR AS THE MILLS BENEFIT FROM ACCESS TO THE U.S. MARKET, THE PROFITS GO AMERICAN PRIVATE INVESTORS, WHO OWN ALL THREE OF THE MILLS.

(C) ALTHOUGH HAITI HAS NOT FILLED ITS QUOTA IN RECENT YEARS, THE REASONS--I.E. POOR WEATHER CONDITIONS, INCREASED DOMESTIC CONSUMPTION, AND LACK OF NEW INVESTMENT--HAVE BEEN BEYOND THE EFFECTIVE CONTROL OF THE HAITIAN GOVERNMENT. ONLY ONCE IN OVER TWENTY YEARS HAS HAITI SOLD SUGAR TO A THIRD COUNTRY BEFORE FILLING ITS QUOTA TO THE UNITED STATES.

(D) DESPITE RECENT TRENDS IN WORLD SUGAR PRICES, PROSPECTIVE INVESTORS IN NEW REFINERY FACILITIES IN HAITI MAY RECONSIDER THEIR PLANS IF HAITI RECEIVES NO QUOTA AT ALL, WITH A RESULTANT LOSS TO WORLD SUGAR PRODUCTION AS WELL AS TO HAITI.

(E) EVEN THROUGH THE 60'S WHEN RELATIONS BETWEEN THE U.S. AND HAITI WERE VERY COOL, NO ACTION WAS TAKEN BY THE U.S. TO ELIMINATE OR REDUCE THE HAITIAN QUOTA IN THE U.S. MARKET. TO ELIMINATE THE QUOTA COMPLETELY NOW WHEN THE GOH IS TAKING POSITIVE STEPS TO IMPROVE ITS RELATIONS WITH THE UNITED STATES WOULD BE TAKEN BY THE GOH AS A SLAP IN THE FACE.

(F) BOTH THE OFFICIAL SECTOR AND THE PRIVATE SECTORS IN HAITI ACTIVELY FAVOR U.S. PRIVATE INVESTMENT, AND LOOK UPON LIMITED OFFICIAL USE

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THE U.S. AS A PREFERRED SOURCE FOR NEEDED PURCHASES.
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Message Attributes

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